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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

March 17, 1998

VIA FACSIMILE

Mr. Michael E. Stogner
Hearing Examiner

Rand Carroll, Esq.
Division Attorney

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 11900
Application of Yates Petroleum Corporation
to Rescind Manzano's Order SWD-657
Lea County, New Mexico

Gentlemen:

I wish to advise you that, with the concurrence of Yates Petroleum Corporation, UMC Petroleum Corporation and Manzano Oil Corporation are continuing their efforts to reach a settlement satisfactory to all parties.

Accordingly, Ernest L. Carroll, on behalf Yates Petroleum Corporation and I, on behalf of Manzano Oil Corporation, jointly request that the referenced case currently set for hearing on March 19, 1998 be continued to the Examiner docket set for April 16, 1998.

Very truly yours,

W. Thomas Kellahin

cfx:

Ernest L. Carroll, Esq.
Attorney for Yates Petroleum Corporation
Manzano Oil Corporation
Attn: Ken Barbe

CASE 11900: (Continued from February 19, 1998, Examiner Hearing.)

Application of Yates Petroleum Corporation to rescind Administrative Order No. SWD-657, Lea County, New Mexico. Applicant seeks rescission of Administrative Order No. SWD-657 which approved the application of Manzano Oil Corporation for authorization to convert the State "22" Well No. 1, located 2310 feet from the South line and 990 feet from the East line (Unit I) of Section 22, Township 10 South, Range 37 East, to a salt water disposal well for the injection of Devonian water into the San Andres formation. Said well is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 11887: (Continued from February 19, 1998, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of Section 1, Township 21 South, Range 34 East, to form a non-standard 315.22-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Wilson-Morrow Gas Pool. Said unit is to be dedicated to its Outland "1" State Well No. 1, to be drilled at an orthodox gas well location 3300 feet from the North line and 1650 feet from the West line of said Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 10 miles west-northwest of Oil Center, New Mexico.

CASE 11921: (Continued from March 5, 1998, Examiner Hearing.)

Application of Whiting Petroleum Corporation and Maralex Resources, Inc. for an order shutting in certain wells, San Juan County, New Mexico. Applicants seek an order requiring that the following wells be shut-in because they are producing from a formation or pool owned by applicants: Thompson Engineering & Production Corp. Stacey Well No.1; and the Pendragon Energy Partners, Inc. Chaco Well Nos. 1, 2R, 4 and 5, and Chaco Ltd. Well Nos. 1J and 2J. Said wells are located in Sections 6, 7, and 18, Township 26 North, Range 12 West and Sections 1 and 12, Township 26 North, Range 13 West. Said area is located approximately 15 miles south-southeast of Farmington, New Mexico.

CASE 11811: (Continued from December 4, 1997, Examiner Hearing.)

Application of the Oil Conservation Division for an order requiring Hanson Energy to plug seventeen (17) wells in Eddy County, New Mexico. In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Hanson Energy, Gulf Insurance Company, and all other interested parties to appear and show cause why seventeen (17) wells located in Township 18 South, Range 28 East and Township 17 South, Ranges 27 and 28 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 10 miles south-southeast of Artesia, New Mexico.

CASE 11942: (Continued from March 5, 1998, Examiner Hearing.)

Application of Oil Conservation Division for an order requiring Rocky Mountain Resources, Inc. to properly plug a well, Lincoln County, New Mexico. Applicant seeks an order requiring Rocky Mountain Resources, Inc. to properly plug its Border Hills State Well No. 1 located in Unit O of Section 17, Township 11 South, Range 20 East, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond, if any. Said well is located approximately 6 miles east of Sunset, New Mexico.

CASE 11928: (Continued from February 19, 1998, Examiner Hearing.)

Application of Oryx Energy Company for the expansion of the Indian Basin-Upper Pennsylvanian Associated Pool and the contraction of the Indian Basin-Upper Pennsylvanian Gas Pool and for approval of a non-standard gas proration and spacing unit, Eddy County, New Mexico. Applicant seeks an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool to include the E/2 of Section 36, Township 21 South, Range 23 East, and the corresponding contraction of the Indian Basin-Upper Pennsylvanian Gas Pool to delete said acreage from that pool. In addition, applicant seeks the approval of a non-standard gas proration and spacing unit consisting of the W/2 of said Section 36 to be dedicated to production from the Indian Basin-Upper Pennsylvanian Gas Pool. This acreage is located approximately 14 miles southwest of Seven Rivers, New Mexico.

CASE 11896: (Continued from February 19, 1998, Examiner Hearing.)

Application of OXY USA, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described area in Section 17, Township 17 South, Range 27 East and in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Jennings Spring-Wolfcamp Pool, Undesignated Logan Draw-Cisco Canyon Gas Pool, Undesignated Hart Draw-Atoka Gas Pool and the Undesignated Logan Draw-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the N/2 NE/4 to form a standard 80-acre gas spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the NW/4 NE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Livan Fed. Com Well No. 1 to be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 6 miles east of Artesia, New Mexico.

CASE 11952: **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 31, Township 18 South, Range 33 East, and in the following manner: the N/2 of said Section 31 to form a standard 325.37-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the South Corbin-Morrow Gas Pool; the NE/4 of said Section 31 to form a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 31 for any and all formations/pools developed on 160-acre gas spacing; and the SW/4 NE/4 of said Section 31 to form a standard 40-acre spacing unit for any and all formations/pools developed on 40-acre spacing. Said units are to be dedicated to its Gazelle "31" Well No. 1 to be drilled and completed at a standard gas well location 1980 feet from the North line and 1650 feet from the East line (Unit G) of said Section 31. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 12 miles southeast of Maljamar, New Mexico.

CASE 11089: (Reopened - Continued from February 19, 1998, Examiner Hearing.)

Application of Burlington Resources Oil and Gas Company to amend Order No. R-46-C to provide for an infill well in the Barker Dome-Desert Creek Pool, San Juan County, New Mexico. Applicant seek to amend Order No. R-46-C to increase the density of wells in the Barker Dome-Desert Creek Pool from one well to two wells per 320-acre gas spacing unit, provided the infill well is located in a quarter section not containing the original well, within a horizontal area containing all or parts of Sections 7 through 11, 14 through 23, 27 through 32, Township 32 North, Range 14 West, and Sections 12, 13, 24, 25, 36, Township 32 North, Range 15 West. Said area is located approximately 9 miles west-northwest of La Plata, New Mexico.

CASE 11953: **Application of Nearburg Exploration Company, L.L.C. for an order shutting in wells operated by Chesapeake Operating, Inc. until the operator is in compliance with Division reporting rules, Lea County, New Mexico.** Applicant seeks an order shutting-in wells operated by Chesapeake Operating, Inc. in the NW/4 of Section 20, Township 16 South, Range 36 East, until production information on these wells has been filed as required by Oil Conservation Division rules and all overproduction, if any, has been made up. Said wells are located approximately 2 miles south of Lovington, New Mexico.

CASE 11612: (Reopened)

In the matter of Case No. 11612 being reopened pursuant to the provisions of Division Order No. R-10679-A, which order promulgated temporary special rules and regulations for the East Stallion-Devonian Pool in Lea County, New Mexico, including a provision for 80-acre spacing. Operators in the subject pool may appear and show cause why said temporary special pool rules and regulations should not be rescinded. Said pool is located approximately 13 miles east of Tatum, New Mexico.

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February 17, 1998

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VIA FACSIMILEMr. Michael E. Stogner
Hearing ExaminerRand Carroll, Esq.
Division AttorneyOil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505Re: NMOCD Case 11900
Application of Yates Petroleum Corporation
to Rescind Manzano's Order SWD-657
Lea County, New Mexico

Gentlemen:

I wish to advise you that, with the concurrence of Yates Petroleum Corporation, UMC Petroleum Corporation and Manzano Oil Corporation are continuing their efforts to reach a settlement satisfactory to all parties.

Accordingly, Ernest L. Carroll, on behalf Yates Petroleum Corporation and I, on behalf of Manzano Oil Corporation, jointly request that the referenced case currently set for hearing on February 18, 1998 be continued to the Examiner docket set for March 19, 1998.

Very truly yours,

W. Thomas Kellahin

cfx:

Ernest L. Carroll, Esq.
Attorney for Yates Petroleum Corporation
Manzano Oil Corporation
Attn: Ken Barbe

CASE 11896: (Continued from January 22, 1998, Examiner Hearing.)

Application of OXY USA, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described area in Section 17, Township 17 South, Range 27 East and in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Jennings Spring-Wolfcamp Pool, Undesignated Logan Draw-Cisco Canyon Gas Pool, Undesignated Hart Draw-Atoka Gas Pool and the Undesignated Logan Draw-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the N/2 NE/4 to form a standard 80-acre gas spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the NW/4 NE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Livan Fed. Com Well No. 1 to be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 6 miles east of Artesia, New Mexico.

CASE 11089: (Reopened)

Application of Burlington Resources Oil and Gas Company to amend Order No. R-46-C to provide for an infill well in the Barker Dome-Desert Creek Pool, San Juan County, New Mexico. Applicant seek to amend Order No. R-46-C to increase the density of wells in the Barker Dome-Desert Creek Pool from one well to two wells per 320-acre gas spacing unit, provided the infill well is located in a quarter section not containing the original well, within a horizontal area containing all or parts of Sections 7 through 11, 14 through 23, 27 through 32, Township 32 North, Range 14 West, and Sections 12, 13, 24, 25, 36, Township 32 North, Range 15 West. Said area is located approximately 9 miles west-northwest of La Plata, New Mexico.

CASE 11929: **Application of Mobil Exploration & Producing TX & NM Inc. for approval of horizontal injection wells, for an administrative procedure whereby additional horizontal injection wells may be approved within the North Vacuum Abo Unit Pressure Maintenance Project, and to qualify a portion of said project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico.** Applicant seeks approval to inject fresh water into the Abo formation through three horizontal injection wells as an expansion of the North Vacuum Abo Unit Pressure Maintenance Project. The three wells, which have previously been approved as convention vertical injection wells, are as follows: NVAU Well No. 136 located 660 feet from the North line and 860 feet from the West line (Unit D) of Section 26; NVAU Well No. 156 located 1893 feet from the South line and 1800 feet from the East line (Unit J) of Section 23; and NVAU Well No. 213 located 460 feet from the South line and 1980 feet from the West line (Unit N) of Section 23, all in Township 17 South, Range 34 East. Applicant further seeks to establish an administrative process whereby additional horizontal injection wells may be approved within the North Vacuum Abo Unit Pressure Maintenance Project. Further, applicant seeks to qualify a portion of its North Vacuum Abo Unit Pressure Maintenance Project as an enhanced oil recovery project pursuant to the New Mexico Enhanced Oil Recovery Act, NMSA 1978. Said wells are located approximately 1 mile north of Buckeye, New Mexico.

CASE 11900: (Continued from January 22, 1998, Examiner Hearing.)

Application of Yates Petroleum Corporation to rescind Administrative Order No. SWD-657, Lea County, New Mexico. Applicant seeks rescission of Administrative Order No. SWD-657 which approved the application of Manzano Oil Corporation for authorization to convert the State "22" Well No. 1, located 2310 feet from the South line and 990 feet from the East line (Unit I) of Section 22, Township 10 South, Range 37 East, to a salt water disposal well for the injection of Devonian water into the San Andres formation. Said well is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 11910: (Continued from January 22, 1998, Examiner Hearing.)

Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the S/2 NE/4, and in all formations developed on 40-acre spacing in the SW/4 NE/4 of Section 13, Township 19 South, Range 25 East. Said units are to be dedicated to its Lakewood Farms "13" Well No. 1 to be drilled in the Undesignated North Dagger Draw-Upper Pennsylvania Pool at a standard location 1650 feet from the North and East lines (Unit G) of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 3 miles northwest of Lakewood, New Mexico.

CASE 11887: (Continued from January 22, 1993, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of Section 1, Township 21 South, Range 34 East, to form a non-standard 315.22-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Wilson-Morrow Gas Pool. Said unit is to be dedicated to its Outland "1" State Well No. 1, to be drilled at an orthodox gas well location 3300 feet from the North line and 1650 feet from the West line of said Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 10 miles west-northwest of Oil Center, New Mexico.

CASE 11921: (Continued from February 5, 1993, Examiner Hearing.)

Application of Whiting Petroleum Corporation and Maralex Resources, Inc. for an order shutting in certain wells, San Juan County, New Mexico. Applicants seek an order requiring that the following wells be shut-in because they are producing from a formation or pool owned by applicants Thompson Engineering & Production Corp. Stacey Well No. 1; and the Pendragon Energy Partners, Inc. Chaco Well Nos. 1, 2R, 4 and 5, and Chaco Ltd. Well Nos. 1J and 2J. Said wells are located in Sections 6, 7, and 18, Township 26 North, Range 12 West and Sections 1 and 12, Township 26 North, Range 13 West. Said area is located approximately 15 miles south-southeast of Farmington, New Mexico.

CASE 11930: In the matter of the hearing called by the Oil Conservation Division for an order creating and extending certain pools in Eddy County, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the East Hackberry-Bone Spring Pool. The discovery well is the Lynx Petroleum Consultants, Inc. Federal HJ-27 Well No. 1 located in Unit F of Section 27, Township 19 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 27: NW/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Chester production and designated as the North Illinois Camp-Chester Gas Pool. The discovery well is the Marathon Oil Company W. B. Travis 15 State Com Well No. 1 located in Unit G of Section 15, Township 18 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 15: E/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production and designated as the McMillan-Cisco Gas Pool. The discovery well is the Maralo, Inc. D. S. "26" Federal Well No. 1 located in Unit H of Section 26, Township 20 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 26: E/2

- (d) EXTEND the Avalon-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 9: SE/4

Section 16: S/2 and NE/4

- (e) EXTEND the Black River-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 10: E/2

Section 11: SW/4